



N A S A A North American Securities Administrators Association

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*The North American Securities Administrators Association (NASAA) is advising brokerage firms that state securities regulators oppose any actions by firms that interfere with customers' requests to transfer their accounts to brokers or firms of their choice.*

**Background**

Many securities firms routinely enter into written non-solicitation agreements with their brokers as a condition of employment. These agreements are designed to prohibit brokers from soliciting former customers when they move to new firms. However, when brokers leave one firm to join another, customers often seek to move their accounts to the brokers' new firm. In an attempt to enforce the non-solicitation agreements, some firms seek temporary restraining orders that restrict the new firm from accepting account transfers requested by the customers (Automatic Customer Account Transfers, or ACATs). In some cases, customers have complained that their ability to trade was restricted while firms litigate the employment dispute.

**NASAA's Position**

State securities regulators believe, as a matter of public policy, that customers should have both the freedom to choose their brokers and full and free access to their accounts. Firms are free to litigate their employment contracts, but customer accounts should not be held hostage during the dispute. Customers should not be exposed to the risk of losses or lost opportunities as a result of competition among firms. Customers are not parties to the litigation and have no opportunity to defend their interests.

State securities regulators will review complaints alleging delays of or restrictions placed upon account transfers and, if necessary, bring enforcement actions. In one instance, regulators in Utah filed an action against a securities firm for refusing to transfer nearly 200 accounts after obtaining a temporary restraining order. NASAA's Broker-Dealer Section has discussed these issues with several larger firms. As a result of these discussions and heightened awareness of this issue, several firms have indicated they have voluntarily discontinued this practice.

Investors experiencing problems transferring accounts should contact their state securities regulator to file a complaint.